



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

September 24, 2010

To: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

AB 811 AND PACE FINANCING STATUS REPORT- SEPTEMBER 2010

On July 13, 2010, your Board directed the Chief Executive Office (CEO), Treasurer and Tax Collector (TTC), and the Internal Services Department (ISD) to report back on the status of the Federal Housing Finance Agency's opposition to Property Assessed Clean Energy (PACE) financing, which would be offered in California under Assembly Bill (AB) 811. As part of this motion, your Board directed County staff to halt the use of grant funds for the County's PACE program, to explore other financing options, and to work to resolve the PACE opposition. This Office provided your Board with detailed status reports on July 22, 2010, and August 19, 2010.

This memorandum describes the *Energy Upgrade California, Los Angeles County* program, as planned for implementation without a PACE option during October, 2010. In addition, ISD will brief your Board's planning deputies regarding *Energy Upgrade California, Los Angeles County* program details at their October 14, 2010, meeting. This memo also provides a status of efforts to resolve the impasse over PACE financing.

Status of the County's AB 811 Program

As previously reported, ISD halted grant spending related to the implementation of the countywide PACE Program. ISD continues to work with statewide partners to identify alternative financing for energy efficiency and renewable energy measures, and work with the County's Washington, D.C., office and national PACE stakeholders to support legislation resolving the Federal Housing Finance Agency's issues with PACE.

"To Enrich Lives Through Effective And Caring Service"

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PACE financing has always been only one tool in the scope of the countywide program to promote energy efficiency and renewable energy, albeit a significant one given the attractive features that PACE provides (i.e., financing attached to the property via a lien and repaid through property tax assessments, ability to cover operating expenses in the interest rate spread, and substantial state subsidies to help drive initial participation).

Most County grant funds have always been targeted towards creating demand for building retrofits, renewable energy projects, and in helping to establish workforce development programs that could meet the potential demand for projects. A summary of County grant funds and budgeted expenditures is provided as Attachment I.

Only a small amount of County grant funds was directly budgeted to establish PACE, which included PACE program design, and development of PACE legal documents (approximately \$500,000). The County's PACE program design and legal documents have been largely completed. The only remaining expenditures related to PACE will be used to complete the court proceeding to validate the program. This judicial validation has been put on hold.

Introduction of *Energy Upgrade California, Los Angeles County*

As part of a statewide branding effort, ISD has successfully integrated the Los Angeles County Energy Program into the statewide program, which here will be branded as *Energy Upgrade California, Los Angeles County*.

Energy Upgrade California is an unprecedented partnership of the California Energy Commission (CEC), the California Public Utilities Commission (CPUC), investor-owned and municipal utilities, local governments, and other stakeholders to promote a uniform, statewide energy efficiency program. The Program was developed utilizing over \$200 million in statewide funding dedicated to energy efficiency retrofits in residential and commercial properties roughly broken down as follows:

- \$120 million in CPUC funding administered by Investor Owned Utilities (IOUs);
- \$35 million in CEC funding to cities and counties for energy efficiency retrofits;
- \$35 million in Los Angeles County grants from the CEC and the Federal Department of Energy (DOE) specifically to implement a regional energy efficiency retrofit program; and
- Tens of millions of dollars in additional Energy Efficiency Conservation Block Grants, DOE, and CEC grants programmed by counties, cities, municipal utilities and workforce agencies throughout California including the City of Los Angeles and other Los Angeles County cities and agencies.

Energy Upgrade California, Los Angeles County will be the initial pilot program in Los Angeles County, and will provide County homeowners with a single, uniform home retrofit program to include: State rebates, County rebates, potential Federal rebates, third-party incentives, workforce development programs, on-line application tools, statewide and region-wide branding and marketing, local outreach activities, and alternative (in lieu of PACE) financing. *Energy Upgrade California, Los Angeles County* will be the model for implementing the Program throughout the rest of the State.

A description of the value and benefits that *Energy Upgrade California, Los Angeles County* will provide to homeowners in the County is provided in Attachment II.

The initial rollout of *Energy Upgrade California, Los Angeles County* will begin in October, 2010 and will primarily provide program orientation, technical details and training opportunities to contractors and workforce development agencies. Intensive marketing and outreach to homeowners and other stakeholders will begin in January, 2011.

Because *Energy Upgrade California, Los Angeles County* includes significant regional collaboration and leverages a variety of resources, it will enhance the County's ability to meet the goals of state and federal grants:

- Creation of more than 3,000 local jobs,
- Achieve 30,000 energy efficiency retrofits by 2013,
- Save \$20 million per year in energy costs for participating homeowners, and
- Reduce greenhouse emissions by over 35,000 metric tons of CO₂.

In addition, *Energy Upgrade California, Los Angeles County* will help the IOUs to meet their Whole House Retrofit Program goals and invite long-term funding for the Program for 2013 and beyond.

Lastly, *Energy Upgrade California, Los Angeles County* positions the County as the statewide leader in the implementation of regional, local government energy programs, and greatly improves the prospect of receiving future funding for County energy efficiency initiatives from state and federal sources.

Current Status of PACE and Alternative Financing

There are no current updates regarding PACE, or the availability of alternative financing in place of PACE, beyond those described in the August 19, 2010, status report. Further, this Office's latest report on Federal legislative activities and County priorities

indicated that there is unlikely to be any legislative solution for PACE before Congress recesses before the November elections:

"The County has been working closely with other supporters of PACE programs, including the National Association of Counties, the National League of Cities, and the United States Conference of Mayors to pursue legislative or administrative remedies which would preserve the viability of PACE programs. As indicated in its recent letter to Representative Ed Perlmutter (D-CO), the FHFA is retaining its guidance which imposed restrictions on the issuance of mortgage loans to properties with PACE assessments that are senior to mortgage loans. In addition, Fannie MAE and Freddie Mac also recently announced that they would not purchase mortgages for properties subject to PACE financing which was acquired on or after July 6, 2010. To date, there has not been any Congressional action on legislation (S. 3642 and H.R. 5766), introduced by Senator Boxer and Representative Thompson (D-CA), which would preserve the use of continued viability of PACE loans secured by first liens. It is highly unlikely Congress will act on the legislation before it recesses in October for the mid-term elections."

Our July 22, 2010, status report identified alternative financing programs that are either currently available or under development. The July status report also identified legislative activities underway at both the state and federal level to resolve the FHFA issues with PACE. Since then, there have been no major updates to the alternative financing programs or PACE issues.

Future Updates on AB 811, PACE, LACEP and *Energy Upgrade California*

The October, 2010 introduction of *Energy Upgrade California, Los Angeles County* will leverage significant resources throughout the State and region. Ultimately, when the PACE issues have been resolved, *Energy Upgrade California, Los Angeles County* will be able to incorporate both PACE outreach and the administration of PACE liens into the Program.

Because no short term resolution of the PACE situation appears to be at hand, we will suspend further formal written status updates on AB 811, PACE and alternative financing, etc., unless we hear otherwise from your Board. Instead, ISD will provide updates on significant activities on these issues on the County's website: www.lacountyenergyprogram.org. This website also provides pre-rollout information on *Energy Upgrade California, Los Angeles County* and updates on PACE-related issues. ISD will continue to prepare the Energy & Environmental Update Report, which is produced every six months (each February and August).

Each Supervisor
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If you have any questions, or require further information on this matter, please contact me, or your staff may contact Ellen Sandt, Deputy Chief Executive Officer at (213) 974-1186, or via e-mail at esandt@ceo.lacounty.gov.

WTF:BC:EFS

TT:JJ:HC:ef

Attachments

c: Executive Office, Board of Supervisors
 County Counsel
 Internal Services
 Public Works
 Treasurer and Tax Collector

ATTACHMENT I

Grant Funding Breakdown

Budget Category	EECBG	CEC	BBP	TOTAL
Program Design, Management, Grant Administration	\$2,415,666	\$957,808	\$1,783,171	\$5,156,645
IT Infrastructure for Administration of Individual Project Results, Incentives, Loans (includes statewide under BBP)	\$400,000	\$170,000	\$1,000,000	\$1,570,000
Support for Workforce Development/Training Agency Programs	299,135	644,775	108,000	1,051,910
Contractor Orientation, Recruitment, Training	259,041	304,732	3,320,000	3,883,773
Direct Financial Incentives: Homeowner, Contractor, Community Based Organizations (includes statewide for BBP)	5,000,000	520,000	5,975,000	11,495,000
Quality Assurance/Control Program	346,822	337,094	450,000	1,133,916
Verification of Energy Savings and Program Evaluation by 3rd Party (includes statewide for BBP)	331,407	339,682	1,150,000	1,821,089
Program Marketing and Outreach	3,147,929	4,725,909	1,108,000	8,981,838
	\$12,200,000	\$8,000,000	\$14,894,171	\$35,094,171

EECBG: Energy Efficiency Conservation Block Formula Grant Funding - Dept of Energy
 CEC: Energy Efficiency Conservation Block Grant Funding - California Energy Commission
 BBP: Better Buildings Program - Department of Energy
 Funding

Your homework—
**Save Money,
Get Rebates!**

Energy Upgrade California is a new one-stop-shop for homeowners to find rebates, incentives and innovative financing options for making energy- and water-saving home improvements.

You can use less electricity, gas and water in your home, pay less on your monthly bills, and receive up to \$3,500 in rebates.

Energy Upgrade California™

is a triple win for
homeowners:

- 1 Rebates for energy efficiency improvements
- 2 Lower utility bills
- 3 A more comfortable and livable home

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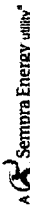
DRAFT

Energy Upgrade California is a partnership of the California Energy Commission and the California Public Utilities Commission.

Energy Upgrade California in Los Angeles County is an alliance among Los Angeles County, Southern California Edison and Southern California Gas Company. This program is funded in part by California utility customers and administered by Southern California Edison and Southern California Gas companies under the auspices of the California Public Utilities Commission.

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High utility bills?

Time for some
homework.

energy
upgrade
CALIFORNIA

Improve your home. Get rebates. Save money.

Get a professional "Whole House" Solution

Many homes leak hot air in the winter and trap heat in the summer, making us crank up the heat or air conditioning to be comfortable. It's like watching hard-earned cash fly out the doors, windows and ceilings of inefficient houses.

For example, if your house is hot and stuffy and you think you need a new air conditioner, you can seal and insulate your house first to keep the heat out. Think of your house as a complete system working together—a "whole house"—rather than individual elements. You'll save on air conditioning bills and may even need a smaller new unit than you had before.

After sealing and insulating your house, your Energy Upgrade California contractor can identify ways to save more energy and get more rebates for:

- Energy-efficient heating and air conditioning
- Energy-efficient windows
- Cool roof
- Solar or tankless water heater
- Solar pool heater
- Energy-efficient light and controls
- Other energy-efficiency improvements that are permanent or "fixed" to your house.

The "whole house" approach will result in:

- Reduced utility bills
- Improved building comfort
- Enhanced indoor air quality
- Increased house value
- Reduced impact on the environment

Your Home's Hidden Leaks

Why Now?

Rebates Now Available

Your rebate depends on how much energy your improvements save. You can receive:

- \$1,000 for basic sealing and insulating (saving 10% energy usage)
- Up to \$3,500 for more extensive upgrades
- Additional rebates available for specific upgrades—ask an Energy Upgrade California contractor
- If you live in the cities of Los Angeles, Burbank, Pasadena, Glendale or Long Beach, your rebate may differ.

Unique Financing Options

Energy Upgrade California can help you take advantage of affordable financing options to offset your upfront costs. You'll find more details on the website.

Certified Contractors

Licensed and certified Energy Upgrade California contractors are experts in energy efficiency. A participating contractor can help ensure that you get the most out of your home energy efficiency upgrades and receive all the rebates and incentives you're eligible for.

Green Rated Home

Energy Upgrade California is your first step on the path to a GreenPoint Rated home. You'll have a healthier home and help the environment—while adding real value to your property.

www.EnergyUpgradeCA.org

